



Jeff Sprowles & Associates LLC
 Fee Only Financial Planner and Investment Advisor

The (not so) Almighty Dollar

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Monthly Newsletter and Update

Dear Valued Clients, Professionals and Friends,

The last few weeks have been an object lesson about computers for me. My seven year old server blew a memory chip. Anticipating trouble I had purchased a replacement from my computer consultant last year. It has been burning up electricity waiting to be called off the bench.

When the call came we discovered the hard way that the replacement was old, slow and underpowered. Now we have a new consultant and a brand new server.

Of course, the modem connecting us to the internet acted up at the same time throwing telephone service out the window for three days. We have used this problem as a good excuse to rewire our network, shorten the cable to the internet, replace the modem and review our entire system to make sure we are up to date in software, security and back up.

Any doubts about the importance of using consultants with expertise with clear compensation arrangements are dispelled.

Happy Bloomsday.

Sincerely,

Jeff Sprowles, CFP®



Market Comments

Recently I attended several faculty/alumni forums at Princeton University at which topics of interest to me were discussed. Seminars about China, India, American power in the current environment and investing in a weak dollar environment confirmed most of my present thinking and suggested several approaches to investigate.

Of the many experts and academics speaking, none suggested that emerging economies were not likely to continue growing their share of global goods and services. Concerns about China and India were raised and discussed, including an alarming statistic. In Asia there is a shortage of about 160,000,000 females of marriageable age. Much of this is in India and China where cultural gender bias combined with political programs in China and modern scientific advances in India to artificially generate more men than women for several generations.

In spite of problems, I am convinced that our long term call for emerging markets will be profitable for clients.

Concerning domestic stocks, we are probably close to a buying opportunity. Valuations based on earnings suggest that the S&P 500 is selling at less than 14 times earnings. I believe the present economic gloom and doom is overstated. Interest rates continue to be stupidly low. We continue to be cautious about fixed income and are not buying anything with maturities longer than 3 years.

Mid Quarter Update

- S&P 500 – domestic large cap
 - 3/31 to 5/13 1.12%
 - Trailing 1 year 21.39%
- BarCap Intermediate Gov Bonds
 - 3/31 to 5/13 1.56%
 - Trailing 1 year 4.38%
- 90 Day U.S. Treasury Bills
 - 3/31 to 5/13 0.01%
 - Trailing 1 year 0.15%
- MSCI Emerging Markets
 - 3/31 to 5/13 **-1.88%**
 - Trailing 1 year 19.48%



Certified Financial Planner



Drawing of Mr. Leopold Bloom by James Joyce

-Borrowed from Wikipedia-



JEFF'S BLOG

happy thoughts



Your faithful servant is over sixty years old and therefore I do not blog. On the other hand this newsletter is generated at my expense and distributed *gratis*. Therefore, I get to unburden myself of thoughts that may be categorized as “rants” and if the reader does not like it the reader can stop reading.

Here are ways to solve important problems in our society. Not all of them are original and if anybody has interest I will be pleased to be more diligent about attribution. Also, any responses or comments will be distributed in subsequent issues provided the comments are grammatically correct and acceptable to the publisher.

BIG GOVERNMENT

The dread of “socialism” and/or big government is a red herring. In a digital age and densely populated country it is not practical to rely on rugged individualism and local governments to handle problems that are too large to be entrusted to enlightened capitalists. These include health insurance, national defense, health research, space exploration and social welfare systems including retirement and welfare. Social democracy is a reasonable way to describe successful systems that are somewhere between unfettered capitalism of the 19th century and centrally controlled economic and political systems of the 20th and 21st century all of which have by and large shown themselves to be flawed.

NATIONAL DEBT and BUDGET DEFICIT

A combination of more revenue and controlled growth in expenses is necessary at the federal level. Revenue is addressed in the next paragraph. The national debt limit and spending on the four largest elements of the federal budget – defense, social security, Medicare and Medicaid should be approved as percentages of GDP by congress and then implemented by the executive branch.



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FEDERAL TAXES

The current system is too complicated and unfair at both ends of the economic scale. Close to 50% of those earning wages pay no federal income tax. At the other end those earning more than \$5,000,000 in income annually pay at about 18%. Progressive taxation is a valid concept but if the system is not made simpler and more equitable it is likely to fail. Reviled as the alternate minimum tax (AMT) is it has the virtue of simplicity. This plan if phased in over ten years would address these problems.

Institute a national sales tax on all goods and services. If applied without exception this will be naturally progressive to the extent that those with a high life style will pay significantly more. For those below the poverty line a subsidy would be issued.

Eliminate corporate taxes.

Classify wages, pensions, social security, annuity payments, dividends and interest as income.

Limit deductions to charitable contributions.

Eliminate exemptions.

Tax gross income less charitable contributions at three rates.

Structure the rates so the revenue will be significantly higher than the current revenue from individual and corporate tax.

POLITICAL HACKS

All pensions for legislators should be eliminated and replaced with a 401(k). Current legislators would receive a lump sum distribution reduced for anything that is not currently funded. Salary deferrals would be matched by governments up to 5% of salary. Compensation of legislators should be capped at an average of a NFL rookie, an entry level CPA and an experienced manager of a Wawa store.

IRRITATING and COUNTERPRODUCTIVE POTPURRI

Advertising by lawyers, doctors, hospitals and pharmaceutical companies should be banned.